

## Message Text

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ORIGIN EB-11

INFO OCT-01 CCO-00 RSC-01 SS-15 FILE-01 SSO-00 ADP-00

ARA-11 EUR-25 NSC-10 NSCE-00 USIE-00 CIAE-00 INR-10

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DRAFTED BY EB/ OT/ TA: JPCRAWFORD/ JWHOLMES: JMN

5/25/73 EXT 21719

APPROVED BY EB: WCARMSTRONG

EUR/ NE - CFLOYD

EUR/ RPE - AALBRECHT

ARA/ CAR: JBURKE ( SUBS)

ARA/ ECP - DAMBACH ( SUBS)

EB/ ITP - JCRENNER

E - EKEMPE

S/ S - MR. MILLER

----- 046272

P R 260130 Z MAY 73 ZFF4

FM SECSTATE WASHDC

TO AMEMBASSY KINGSTON PRIORITY

AMCONSUL CURACAO

AMEMBASSY BUENOS AIRES

INFO AMEMBASSY LONDON

USMISSION GENEVA

AMCONSUL BELIZE

AMEMBASSY BRIDGETOWN

AMEMBASSY GEORGETOWN

AMEMBASSY PORT OF SPAIN

C O N F I D E N T I A L STATE 102162

TOSEC 345

E. O. 11652: GDS

TAGS: ETRD, GATT, UK, US

SUBJECT: UK DOLLAR AREA QUOTAS

FOR SECRETARY AND UNDER SECRETARY CASEY FROM ARMSTRONG

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REF: STATE 91040

1. DOLLAR AREA QUOTAS ISSUE MAY WELL BE RAISED BY PRIME MINISTER MANLEY DURING YOUR JAMAICAN VISIT. FOLLOWING DEVELOPMENTS HAVE OCCURRED OVER PAST TWO WEEKS.

2. THE EVENING OF MAY 11, I CALLED IN CORTAZZI AND HANDED HIM THE AIDE- MEMOIRE, WHICH WAS THEN TELEGRAPHED THAT SAME EVENING TO LONDON ( REFTEL). ON MONDAY, MAY 14, AN INTER- AGENCY CLEARED INSTRUCTION WAS TELEGRAPHED TO LONDON REQUESTING OUR EMBASSY TO MAKE A PARALLEL DEMARCHE TO PETER WALKER. EMBASSY WAS NOT ABLE TO DO SO UNTIL MAY 24, BECAUSE WALKER OUT OF TOWN. NO REPORT AS YET RECEIVED ON CONVERSATION. EMBASSY DID TALK WITH OTHER OFFICIALS, AND WAS INFORMED THAT BRITISH WOULD LIKE TO BE RID OF PROBLEM, AND WERE CONSULTING WITH CARIBBEANS ON MAY 17 AND MAY 24.

3. CORTAZZI CALLED ON ME ON MAY 23 AND SAID BRITISH WERE PREPARED TO OFFER A COUNTER- PROPOSAL TO US DURING WEEK OF JUNE 4. HE COULD NOT REVEAL CONTENTS OF PROPOSAL BUT

SAID HE FELT IT WOULD BE BETTER FROM US POINT OF VIEW THAN WE MIGHT EXPECT. HE ASKED IF US WOULD JOIN BRITISH IN REQUESTING POSTPONEMENT OF REPORT OF PANEL UNTIL AFTER THE BILATERAL CONSULTATIONS. I AGREED, AND INSTRUCTED GENEVA TO CONCERT WITH BRITISH REP IN STATEMENT REQUESTING POSTPONEMENT, BUT ADDING THAT STATEMENT SHOULD BE WITHOUT PREJUDICE TO FUTURE ACTIONS, DEPENDING ON SUBSTANCE OF BRITISH PROPOSAL.

4. CORTAZZI REPORTED BY TELEPHONE ON MAY 25 THAT THE MAY 24 CONSULTATION WITH THE CARIBBEAN COUNTRIES HAD NOT GONE WELL. THEY RESISTED ANY CHANGES IN DAQS, FORE- CASTING DIRE CONSEQUENCES FROM REMOVAL OF EACH QUOTA. BRITISH GOVERNMENT NEVERTHELESS INTENDS TO CONTINUE TO PRESS CARIBBEANS TO ACQUIESCE IN AN OFFER WHICH WILL BE OF INTEREST TO US, AND WILL MEET AGAIN WITH THEM NEXT WEEK.

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5. WHETHER OR NOT MANLEY DOES RAISE ISSUE, IT WOULD APPARENTLY BE HELPFUL TO BRITISH IN GETTING CARIBBEAN COUNTRIES TO TAKE SERIOUSLY NEED TO MOVE ON THIS ISSUE IF YOU WERE TO MAKE THE FOLLOWING POINTS: ( A) THAT USG ENGAGED IN EFFORT TO CLEAR BOARDS OF ALL ILLEGAL TRADE RESTRICTIONS, INCLUDING THESE, PRIOR TO MTNS; ( B) THAT OUR EFFORT IS FOUNDED ON BELIEF THAT SUCH EFFECTIVE USE

OF GATT PROCEDURES IS IMPORTANT TO PASSAGE OF TRADE REFORM ACT; ( C ) THAT JAMAICA, AND OTHER CARIBBEAN COUNTRIES, HAVE STAKE IN PASSAGE OF TRA WHICH, INTER ALIA, PROVIDES AUTHORIZATION FOR US TO EXTEND GENERALIZED PREFERENCES. THIS SHOULD ASSUME NEW IMPORTANCE FOR CARIBBEAN COUNTRIES IN LIGHT OF UK POSITION ON REVERSE PREFERENCES.

6. WE ARE PRESSING HMG TO ELIMINATE DAQS BECAUSE THEY ARE ILLEGAL UNDER GATT, DISCRIMINATE AGAINST US TRADE TO THE BENEFIT OF OTHER DEVELOPED COUNTRIES, AND HAVE LONG SINCE CEASED TO SERVE THEIR ORIGINAL DOLLAR- CONSERVING PURPOSE. DAQS ARE A LONG- STANDING BILATERAL PROBLEM WITH THE UK WHICH WE ARE NOW SEEKING TO RESOLVE; OUR COMPLAINT DOES NOT REPEAT NOT LIE WITH THE CARIBBEAN COUNTRIES.

7. IN OUR DISCUSSIONS WITH THE BRITISH WE HAVE MADE IT CLEAR THAT WE ARE BASICALLY INTERESTED IN OBTAINING EQUITABLE TREATMENT FOR IMPORTANT US EXPORTS AFFECTED BY DAQS. WE ARE NOT SEEKING TO ALTER SPECIAL ARRANGEMENTS FOR MARKETING BANANAS OR CANNED GRAPEFRUIT WHICH ARE PRODUCTS OF PRIMARY ECONOMIC INTEREST TO JAMAICA AND

OTHER COMMONWEALTH CARIBBEAN COUNTRIES. IN THE RESUMED CONSULTATIONS WITH THE BRITISH WE ARE PREPARED TO CONSIDER REASONABLE COUNTER PROPOSALS THAT WOULD AVOID ECONOMIC HARDSHIP TO THE CARIBBEAN COUNTRIES. WE ARE WELL AWARE OF THE IMPORTANCE OF AGRICULTURAL TRADE TO THESE COUNTRIES AND ARE SENSITIVE TO THE EMPLOYMENT AND FOREIGN EXCHANGE IMPACT OF SUCH TRADE.

4. FYI. WE ARE SKEPTICAL THAT WHAT BRITISH WILL PROPOSE WILL BE ACCEPTABLE TO US, BUT WE WILL OBVIOUSLY EXAMINE  
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IT WITH CARE. RUSH

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NMAFVVZCZ

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BUENOS AIRES  
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